

**DEPARTMENT OF FINANCE BILL ANALYSIS**

**AMENDMENT DATE:** Original  
**POSITION:** Neutral

**BILL NUMBER:** SB 1242  
**AUTHOR:** R. Calderon

**BILL SUMMARY: Insurance: Guarantee Association**

This bill would permit the California Insurance Guarantee Association (CIGA) to issue bonds for an additional two years by extending the bond authority sunset from January 1, 2011 to January 1, 2013.

**FISCAL SUMMARY**

The California Infrastructure and Economic Development Bank (I-Bank) recoups the cost of issuance of bonds from the bond proceeds. This bill will have a minor fiscal impact on I-Bank.

**COMMENTS**

The Department of Finance is neutral on this bill, as it provides stability in the insurance market by providing a source of funds for payment of claims in the event of insurance company insolvencies. While CIGA is often able to pay claims from assessment income, in the event of the failure of a large insurer or of multiple insurers, bonding capacity provides assurance that CIGA is able to meet its obligations.

CIGA was created in 1969 as an association of insurers that makes payments to policyholders when insurance companies become insolvent. While funded by assessments, which historically have been legislatively set at 1 or 2 percent, and assets of failed insurance companies, CIGA has also been authorized to issue bonds to provide cash flow when multiple insolvencies occur.

In 2003, CIGA was authorized to receive up to \$1.5 billion in bond financing from the I-Bank. This authority was originally set to expire in 2007, but has been extended periodically. The I-Bank issued \$750 million in bonds for CIGA in 2004. CIGA makes bond payments from the assessments levied on insurance companies.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code
	LA	(Dollars in Thousands)								
	CO	PROP								
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012		
0520/Secty BT&H	SO	No	----- No/Minor Fiscal Impact -----						0649	
<u>Fund Code</u>	<u>Title</u>									
0649	Infrastructure & Economic Devl Bank, Cal									

Analyst/Principal (0741) K. Amann	Date	Program Budget Manager Mark Hill	Date
Department Deputy Director			Date

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____
<b>BILL ANALYSIS</b>			Form DF-43 (Rev 03/95 Buff)